

## **EXHIBIT 6**

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF WEST VIRGINIA  
AT BECKLEY

\* \* \* \* \*

|                       |   |                  |
|-----------------------|---|------------------|
| JAMES RIVER EQUIPMENT | * |                  |
| VIRGINIA, LLC,        | * |                  |
| Plaintiff             | * | Civil Action No. |
| vs.                   | * | 5:13-cv-28160    |
| JUSTICE ENERGY        | * |                  |
| COMPANY, INC.,        | * |                  |
| Defendant             | * |                  |

\* \* \* \* \*

DEPOSITION OF  
STEPHEN W. BALL  
March 14, 2019

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DEPOSITION

OF

STEPHEN W. BALL, taken on behalf of the Defendant  
herein, pursuant to the Rules of Civil Procedure,  
taken before me, the undersigned, Bradley Scott, a  
Court Reporter and Notary Public in and for the State  
of West Virginia, at the law offices of Carey, Scott,  
Douglas & Kessler, PLLC, 707 Virginia Street, East 901  
Chase Tower, Charleston, West Virginia on Thursday,  
March 14, 2019 beginning at 10:07 a.m.

A P P E A R A N C E S

FRED B. WESTFALL, JR., ESQUIRE  
Assistant United States Attorney  
300 Virginia Street East  
Room 4000  
Charleston, WV 25301

COUNSEL FOR UNITED STATES

MICHAEL W. CAREY, ESQUIRE  
Carey, Scott, Douglas & Kessler, PLLC  
901 Chase Tower  
707 Virginia Street East  
Charleston, WV 25301

COUNSEL FOR DEFENDANT

JOHN F. HUSSELL, IV, ESQUIRE  
Wooton, Davis, Hussell & Ellis  
300 Summers Street  
Suite 1230  
Charleston, WV 25301

COUNSEL FOR DEFENDANT

I N D E X

WITNESS: STEPHEN BALL

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ATTORNEY

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S T I P U L A T I O N

-----  
(It is hereby stipulated and agreed by and between  
counsel for the respective parties that reading,  
signing, sealing, certification and filing are not  
waived.)  
-----

P R O C E E D I N G S

-----  
STEPHEN BALL,  
CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND  
HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS  
FOLLOWS:

---  
EXAMINATION  
---

BY ATTORNEY WESTFALL:

Q. Would you state your name, please?

A. Stephen Ball.

Q. Mr. Ball, my name is Fred Westfall. And I  
represent the United States in this case. Anytime if  
you do not hear or understand a question that I ask of  
you, let me know. I'll be happy to repeat or rephrase  
the question for you.



We're taking your deposition. Have you ever been deposed before?

A. Yes, sir.

Q. So the general rules are you have to give verbal responses to the questions because the court reporter can't record gestures or nods of the head. And if you, at any time, you need to take a break. If you let me know, we'll be happy to take a break.

Do you understand that?

A. I do.

Q. Okay.

Can you --- you've been furnished as a witness in our --- in the James River Equipment Virginia, LLC versus Justice Energy Company, Incorporated case in connection with our United States inquiring on the certain financial information. And I want to show you what's been marked as Exhibit Number 1 and have you just take a look at that for just a moment, if you would, please.

— — —

(Whereupon, United States Exhibit 1, Financial Statement of Debtor, was marked for identification.)

— — —

1 THE WITNESS: I forgot my glasses.

2 ATTORNEY WESTFALL: Be my guest.

3                               THE WITNESS:  They're just down the  
4  hall.  I'm sorry.

5                                    ATTORNEY WESTFALL:    We'll just take a  
6    break.

7

8 (WHEREUPON, A PAUSE IN THE RECORD WAS HELD.)

9

10 BY ATTORNEY WESTFALL:

11 Q. Would you take a look at page six of Exhibit  
12 1, please?

|    |          |
|----|----------|
| 13 | A. Okay. |
|----|----------|

14 Q. Is that your signature on page number six?

15           A.    It is.  Yes, sir.

16 Q. And I notice in looking at your title,  
17 you're listed as Vice President and then General  
18 Counsel of Justice Energy Company, Incorporated. Is  
19 that your position?

20 A. Yes, sir.

21 Q. Let me just ask you just a couple questions  
22 about your educational background. Where did you go  
23 to undergraduate school?

24 A. I graduated from Marshville University in

1 1997 with a degree in finance.

2 Q. And where did you attend law school?

3 A. I graduated from West Virginia University  
4 College of Law in 2001.

5 Q. Have you ever been engaged in the private  
6 practice of law outside of a corporate setting?

7 A. No, sir.

8 Q. And when --- I take it you're licensed to  
9 practice law.

10 Is that correct?

11 A. Yes.

12 Q. And when were you first licensed?

13 A. 2001.

14 Q. And have you always been engaged in the  
15 corporate practice of law so to speak since your  
16 graduation from law school?

17 A. Yes.

18 Q. And where were you employed after law  
19 school?

20 A. My first job was with Blue Stone Industries,  
21 Inc., which is also owned by the same owners of  
22 Justice Energy. Started as assistant CFO and general  
23 counsel.

24 Q. Do you have a --- are you a CPA by chance?

1           A.     No, sir.

2           Q.     Let's take a look at Exhibit 1. I want to  
3 just ask some general questions first. In section one  
4 on page one of Exhibit Number 1, it indicates that  
5 Justice Energy Company Incorporated is a coal mining  
6 business. Is Justice Energy still involved in coal  
7 mining?

8           A.     Yes.

9           Q.     And can you tell me what mines that it  
10 currently mine coal in?

11          A.     It currently operates what is known as the  
12 Red Fox Surface Mine. It's actually located in  
13 McDowell County, West Virginia. But the closest town  
14 is Bishop, Virginia. It's right on the state line.

15          Q.     Does Justice Energy have any other coal  
16 mines other than Red Fox?

17          A.     No.

18          Q.     Does Justice Energy actually own Red Fox?

19          A.     No.

20          Q.     Who owns Red Fox?

21          A.     The Red Fox mine has a few different  
22 components to it. Typically with a coal mine, you  
23 have the mining permit. You have the coal reserves  
24 and then you have equipment associated with that. The

1 mining permit is in the name of Blue Stone Coal  
2 Corporation. The reserves are owned by separate  
3 company that's unrelated, it's called Rowland Land  
4 Company.

5 And it's leased to an affiliate of Justice  
6 Energy called James C. Justice Companies, LLC. And  
7 Justice Energy operates the coal mine. It does own  
8 some of its own equipment but a lot of that equipment  
9 is provided to it by affiliate entities.

10 Q. And who are those affiliate entities?

11 A. The primarily --- and in fact I think it's  
12 the only other entity, Blue Stone **Resources**, Inc.  
13 provides most of the equipment to Justice Energy  
14 Company.

15 Q. Let me kind of --- we talked about a lot of  
16 different companies and I want to try and understand  
17 the relationships that exist with the companies. So  
18 when we talk about Justice Energy, who owns Justice  
19 Energy.

20 A. Its parent company is JCJ Coal Group, LLC.

21 Q. And who owns JCJ Coal Group, LLC?

22 A. Blue Stone Mineral, Inc.

23 Q. And who owns Blue Stone Mineral, Inc.

24 A. Blue Stone **Resources**, Inc.

1 Q. And who owns Blue Stone Resources, Inc.

2 A. James C. Justice, II and James C. Justice,  
3 III.

4 Q. And they own them in their individual  
5 capacities.

6 Is that correct?

7 A. Yes, sir.

8 Q. Now going backwards for just a moment to Red  
9 Fox. I just want to make sure I understand. The mine  
10 you said was actually owned by one entity or person.

11 A. The mining permit is in the name of Blue  
12 Stone Coal Corporation.

13 Q. Who owns Blue Stone Coal, Corp.?

14 A. Blue Stone Industries, Inc.

15 Q. And who owns Blue Stone Industries, Inc.?

16 A. Blue Stone Mineral.

17 Q. Okay.

18 And you said the reserves are owned by ---?

19 A. James C. --- I'm sorry. James C. Justice  
20 Companies, LLC. I'm sorry. They're leased. The  
21 leasee is James C. Justice Companies, LLC. The actual  
22 owner is, we refer to them as Rowland Land Company. I  
23 think they formed a special purpose entity for  
24 purposes of owning those reserves. That its title is

1 RLC, TN, LLC.

2 Q. And Rowland Land Company and R --- let me  
3 just make sure I get the initial right, R --- I think  
4 you said was RLC, TN?

5 A. Yes, sir.

6 Q. Are they related in any way to any of the  
7 other companies either Blue Stone Mineral, Blue Stone  
8 Resources, James C. Justice, JCJ Coal Group, anything  
9 like that?

10 A. No, sir.

11 Q. Okay.

12 So we talked about the reserves in the  
13 permit. Who actually owns the mine?

14 A. Just so we're on the same page ---?

15 Q. The real estate for the mine.

16 A. So the surface ---.

17 Q. I tell you ---.

18 A. I'm just --- I'm just trying to ---.

19 Q. Yeah, let me try to clarify this. Is Red  
20 Fox a surface mine or a deep mine?

21 A. It is a surface mine.

22 Q. Okay. All right.

23 And so we talk about the reserves. Are  
24 those the surface rights or are they separate from

1 being reserves?

2 A. Can I give you a background on how we view  
3 it and --- 'cause I just don't want us to talk past  
4 one another?

5 Q. That's perfectly fine.

6 A. Typically when we receive a lease to mine  
7 coal with it comes the rights to use the surface to  
8 remove that coal. And so I don't know specifically  
9 who owns those surface. But it is my understanding  
10 that RLC, TN owns the surface and then provides us the  
11 right to use the surface through our coal lease.

12 Q. Okay.

13 And you said the equipment that's used to  
14 mine the coal, some is actually owned by Justice  
15 Energy and some is owned by other entities?

16 A. Yes.

17 Q. And who was the other entities that furnish  
18 equipment to the Red Fox mine?

19 A. Blue Stone Resources, Inc.

20 Q. Anybody else?

21 A. That's it.

22 Q. Okay.

23 And at this time does Justice Energy have  
24 either made leases, rights, or any other ownership of



1 any kind on any mines other than Red Fox?

2 A. No.

3 Q. Okay.

4 Let's take a look at section two on page  
5 one, of Exhibit 1 for just a moment. According to  
6 Exhibit Number 1, it looks like that, well we already  
7 discussed that, but Justice Energy is a wholly owned  
8 subsidiary of JCJ Coal Group, LLC.

9 Is that correct?

10 A. Yes, sir.

11 Q. And looking at 5b on Exhibit 1, it says that  
12 James C. Justice, III is the President.

13 Is that correct?

14 A. Yes, sir.

15 Q. And under 5c, you're listed next. And what  
16 is your position with Justice Energy?

17 A. Vice President and General Counsel.

18 Q. And the third person listed is James T.  
19 Miller. And it looks like he's listed as the  
20 Treasurer.

21 Is that correct? Secretary and Treasurer.

22 A. That's correct, yes.

23 Q. Are there any other officers, corporate  
24 officers, for Justice Energy?

1 A. No.

2 Q. Let's talk a little bit about Mr. Justice,  
3 III, and his role in the company. What is his role?  
4 I mean, as President, what does he do?

5 A. He oversees the operations of the company.

6 Q. And is he also an officer of any of the  
7 other companies in this chain that goes up through to  
8 himself as being a part owner?

9 A. He is, yes.

10 Q. What other companies is he an officer of?

11 A. He generally serves as the President of all  
12 of the companies so for Blue Stone Resources and Blue  
13 Stone Mineral, Inc. Both corporations he serves as  
14 the president. Even our LLC, we --- and our operating  
15 agreements provide the ability to nominate officers.  
16 So we also have traditional officer names in our LLCs.  
17 So he's also the President of James C. Justice  
18 Company, LLC and JCJ Coal Group, LLC.

19 Q. And I take --- I know we talked about the  
20 owner being his father, James C. Justice, II. I'm  
21 assuming he's been owner. He's not an officer at any  
22 of these companies at the moment.

23 Is that correct?

24 A. That's correct.

1           Q.     Let's talk about Mr. Miller for just a  
2 moment. Is he an officer at any of the other  
3 companies?

4           A.     He is, yes.

5           Q.     And what other companies?

6           A.     Generally speaking, we have the same  
7 officers in these companies. For Mr. Miller, it does  
8 vary occasionally that he's either secretary or  
9 treasurer. He's not always both. Without having that  
10 in front of me, I don't want to misspeak but he  
11 generally will be either secretary or treasurer or  
12 both in all of the --- the same entities.

13          Q.     Let's confine it for just a moment to  
14 Justice Energy, what does Mr. Miller do as Secretary  
15 and Treasurer of Justice Energy?

16          A.     Mr. Miller is currently not engaged in any  
17 day to day activities with Justice Energy. He's a  
18 long time employee for the Justice family and all of  
19 their other operations. And he traditionally, has  
20 been listed as either secretary or treasurer. He's an  
21 accountant by trade.

22                 Today, most of his activities either relate  
23 to the Greenbrier Hotel or there are a few coal  
24 businesses in Kentucky and Virginia that he's

1 overseeing the accounting on. But he's not engaged in  
2 anything with Justice Energy on a day to day basis.

3 Q. Okay.

4 And I don't mean to make light of this but  
5 basically I take it that his role as secretary and  
6 treasurer of Justice Energy is basically more or less  
7 ceremonial.

8 A. That's correct.

9 Q. Let go to page 7c for just a moment. Excuse  
10 me section 7c on page three of Exhibit Number 1 for  
11 just a moment. You have it listed there as \$1.23  
12 million. And I'm taking that's the civil penalty  
13 involved in this case.

14 Is that correct?

15 A. Yes, sir.

16 Q. Are there any other judgements or liens  
17 against Justice Energy other than the civil penalty?

18 A. There are --- there are no other judgements  
19 that I'm aware of. As a subsidiary --- indirect  
20 subsidiary, Blue Stone Resources, there are some liens  
21 with Blue Stone Resources credit facilities that could  
22 apply to Justice Energy.

23 Q. And when you say credit facilities, I take  
24 it these are entities that make loans to Blue Stone

1 Resources.

2 A. Correct.

3 Q. And when you talk about the type of credit  
4 for Blue Stone Resources, just generally, what kinds  
5 of credit was extended that might potentially relate  
6 to or pertain to Justice Energy?

7 A. So the equipment that Blue Stone Resources  
8 owns that's used at the Justice Energy facility, all  
9 of that equipment has been financed by various  
10 equipment financing companies. And so they would have  
11 --- and I think most of those are purchase mining type  
12 liens. Some of the other ones are kind of traditional  
13 term debt where there's just a security agreement.  
14 And there's a pledge of collateral that has a blanket  
15 that applies to equipment and fixtures.

16 That would be --- Blue Stone Resources has,  
17 I think there's two term loans that have those type of  
18 security agreements associated with them.

19 Q. Kind of a cross collateral type arrangement?

20 A. No ---.

21 Q. Maybe that's too simplistic, I'm sorry. I  
22 don't mean to be ---.

23 A. No, no, no. It's not too simplistic. It's  
24 just that, it's a real general --- it's a real broad

1 security agreement that did not attempt to  
2 specifically list items of machinery or equipment or  
3 fixtures. It's just one of those that says in all  
4 fixtures and equipment and inventory associated  
5 therewith.

6 And so, I mean, I think it can be opened to  
7 interpretation, whether it's specific or not. But  
8 there's definitely some Blue Stone Resources  
9 collateral agreements out there that have that type of  
10 language in it.

11 Q. Okay.

12 Let's take a look at page ten or excuse me,  
13 page four of Exhibit Number 1, section five item  
14 number ten. Under real estate it says none. And I  
15 think we already gone through this but does Justice  
16 Energy actually own any true real estate?

17 A. No.

18 Q. Does Justice Energy have its own office  
19 located somewhere?

20 A. No. There's a little mine office that's at  
21 the mine site. It's equivalent of a single wide  
22 trailer. But typically we lease those from a leasing  
23 company.

24 Q. So, just so I make sure, Justice Energy does

1 not have its own corporate headquarters anywhere.

2 Is that correct? Physically, physical  
3 corporate headquarters.

4 A. No.

5 Q. Now, I notice, also is going back to page  
6 one of Exhibit Number 1, that in terms of the business  
7 address for Justice Energy is 302 South Jefferson  
8 Street in Roanoke, Virginia. Who else is located at  
9 that particular address?

10 A. That's the address where Blue Stone  
11 Resources is operated out of. And so to the extent,  
12 Justice Energy has any accounting or anything like  
13 that, that's all done out of the 302 South Jefferson  
14 location. And Blue Stone Resources as the ultimate  
15 parent company provides those services to their  
16 subsidiaries.

17 There are other --- other coal companies own  
18 by the Justice family that operates out of there.  
19 There's several of them. Southern Coal Corporation,  
20 Kentucky Fuel Corporation, A&G Coal Corporation,  
21 Virginia Fuel Corporation.

22 Q. So Blue Stone Resources supplies, for  
23 example I'm going to assume. Well maybe I won't  
24 assume. Does Blue Stone Resources supply like all of

1 the administrative payroll and financial services  
2 needed by Justice Energy Company?

3 A. Yes, they do.

4 Q. And Justice Energy Company does not have any  
5 of its own employees who supply or perform those  
6 services.

7 A. It does not. That's correct.

8 Q. Does Justice Energy Company have any actual  
9 employees?

10 A. Yes. It has some employees that work at the  
11 mine site.

12 Q. And what types of employees at the mine site  
13 does Justice Energy have?

14 A. It would be the equipment operators for the,  
15 you know, the trucks, the bulldozers, the coal  
16 loaders, mechanics associated with those machines. It  
17 would be hourly labor type employees.

18 Q. In terms of the supervisory personnel at  
19 just --- at the Red Fox, I guess it's the Red Fox mine  
20 is what we talked about. Are there any supervisory  
21 employees employed by Justice Energy Company?

22 A. The foremen are employed by Blue Stone  
23 Industries, Inc.

24 Q. Okay.



1           Are there any professional like engineers or  
2 any other professional people employed by Justice  
3 Energy Company?

4           A.     No.

5           Q.     Who actually prepares --- well let me go  
6 back and ask the question this way, are there any  
7 state or federal tax returns prepared for Justice  
8 Energy Company?

9           A.     They are part of the consolidated tax  
10 returns. So there are no standalone tax returns for  
11 Justice Energy Company.

12          Q.     And when you say consolidated, how are they  
13 consolidated?

14          A.     Blue Stone Resources, Inc. files a  
15 consolidated tax return for itself and all of its  
16 subsidiaries. And so they are included, they being  
17 Justice Energy, is included in the Blue Stone  
18 Resources tax return.

19          Q.     And is Blue Stone Resources, is it --- is  
20 its tax return part of any other consolidated returns?

21          A.     No. It is a C corporation and it files ---  
22 other than for its subsidiaries, it files as a  
23 standalone.

24          Q.     Let's go to page five, Exhibit Number 1,

1 section 6, item number 13 on bank accounts. I'm  
2 looking at this Exhibit Number 1 at that particular  
3 location. There's only one bank account listed. It's  
4 with BB&T. Is this a payroll account?

5 A. I think that's its primary purposes. I  
6 don't think that it's limited to only being a payroll  
7 account but that is its primary purpose.

8 Q. And when the actual amount of funds put into  
9 account to make payroll for the employees, who  
10 furnishes those funds?

11 A. Typically those would come from Blue Stone  
12 Resources, Inc.

13 Q. Does Justice Energy put any of its own  
14 funds into the account?

15 A. No.

16 Q. Does Justice Energy have any --- does it  
17 ever generates its own revenues?

18 A. The coal that Justice Energy mine is sold  
19 through an affiliate, Blue Stone Coal Sells  
20 Corporation. And Blue Stone Coal Sells Corporation,  
21 when they receive the revenues from the coals sold,  
22 that would be provided by Justice Energy either  
23 directly or through Blue Stone Resources to help  
24 Justice Energy fund their operations.

1                   Currently, Justice Energy operates at a  
2 deficit. It's losing money each month. So its  
3 shortfall is made up by Blue Stone Resources.

4                   So I guess in a way, it does put money in  
5 its accounts by the coal that it sells. But  
6 currently, it's operating as a deficit.

7           Q.     What type of coals do you mine at the Red  
8 Fox mine?

9           A.     It's what's known as midvol or medium  
10 volatile coking coal, metallurgical coal.

11          Q.     That's still a pretty good market for  
12 metallurgical coal compared to the others.

13                   Is that correct?

14          A.     Yes.

15          Q.     I don't know much about the coal business  
16 but I do know a little bit. Metallurgical coal seems  
17 to be doing pretty well.

18                   Let's take a look at page six of Exhibit  
19 Number 1 for just a moment. I'd like to go over, on  
20 the right hand column there where it says expense  
21 items and ask some questions about that. Item number  
22 30 shows a rent paid by Justice Energy of \$118,187.45.  
23 What's the rent for?

24          A.     It's for a rail siding where coal is loaded

1 on the Norfolk Southern Railway. There's an annual  
2 rental that's due with that.

3 Q. And is that paid to Norfolk Southern?

4 A. Yes.

5 Q. And let's look at item number 37 insurance.

6 What --- for \$217,202.80. What's that insurance for?

7 A. The Blue Stone Resources group of companies  
8 has a group insurance policy for general liability,  
9 property, Workers' Comp. It's a group policy and that  
10 total amount is allocated out to the various operating  
11 subsidiaries.

12 Ideally, you know, should be proportionate  
13 to the amount of coal they're producing is how we  
14 typically try to do that. And so that is Justice  
15 Energy's allocation of that insurance expense.

16 Q. And the miscellaneous expenses on item  
17 number 38. Can you just kind of give me a general  
18 idea of what that covers?

19 A. For it to fall in to a miscellaneous  
20 category, and I can't remember this specifically off  
21 the top of my head, but that generally is just  
22 something that is small that doesn't fall into one of  
23 these categories above. Or into the categories of our  
24 --- one of the categories of our internal financial

1 statement.

2 But if it--- even if it doesn't fit in to  
3 one of those categories, if it would exceed say  
4 \$25,000 or \$50,000, we would create a name for that so  
5 we would know what it is. This is for very small  
6 nominal things.

7 Q. Okay.

8 Let's go to the last page of Exhibit Number  
9 1. It's an attachment that deal with question 11 and  
10 it talks about some equipment. And it deals with  
11 equipment that was apparently financed through  
12 Caterpillar Financial Services. And just so I make  
13 sure I understand, is this when the company was  
14 acquired from and I don't know how to pronounce that,  
15 it looks like Mechel, M-E-C-H-E-L O-A-O. The company  
16 held certain mining equipment that was collateral for  
17 loans to Caterpillar Financial Services.

18 After Justice Energy was acquired from  
19 Mechel, did it have the Caterpillar equipment or I  
20 should say the equipment that was financed by  
21 Caterpillar for any period of time?

22 A. I --- yes. Yes.

23 Q. Okay.

24 How long --- well let me ask the question

1 this way. When were the items surrendered to  
2 Caterpillar Finance to satisfy the loan obligations?

3 A. I can't recall the exact date but it was  
4 very soon after the reacquisition. And no one can  
5 pronounce that name by the way so it gets pronounced  
6 five different ways. So, I'll say it three different  
7 ways while we're talking about.

8 Q. Okay.

9 A. At the time of the reacquisition, Mechel had  
10 fallen behind with all of their creditors. And the  
11 two big ones, financially speaking, were Caterpillar  
12 Financial and Komatsu Financial. Two of which that  
13 the Justice organization does a lot of business with  
14 and other areas of business as well.

15 And so there was some interest in getting  
16 those two accounts cleared up so we could move forward  
17 from a business standpoint.

18 And the equipment, it was easier to  
19 surrender the equipment than try to figure out a way  
20 to pay off the loans. Because they were severely  
21 under water and if it weren't for our overall  
22 relationship with Caterpillar Financial and Komatsu,  
23 probably would not have been able to get those deals  
24 done. But they were somewhat --- they were somewhat

1 of an accommodation with us because of the ongoing  
2 business.

3 Q. So when was Justice Energy acquired from  
4 Mechel or however you pronounce the name of the  
5 company?

6 A. Yeah. February of 2015.

7 Q. And looking at again on the last page of  
8 Exhibit Number 1, at the end it says currently the  
9 equipment used as the Company's Red Fox site is owned  
10 by related parties that are rented to the company on  
11 an intercompany basis. And I think we already talked  
12 about the companies that are furnishing the equipment  
13 to Red Fox.

14 Is that correct?

15 A. Yes.

16 Q. And does Justice Energy actually pay any  
17 rental user fees or any other kind of --- or provide  
18 any other compensation to the companies that are  
19 basically renting the equipment to Justice Energy?

20 A. Not currently. In the ordinary course or in  
21 a typical situation, we would do that. But because  
22 the mine is not generating excess cash flow currently,  
23 that's not being done.

24 Q. How long has Justice Energy been running at

1 a loss?

2 A. Justice Energy was idle at the time of the  
3 reacquisition in 2015. We briefly operated it. There  
4 were some --- there were some coal stockpiles there.  
5 The coal, the quality was really bad because it had  
6 set there for a very long time. But we --- we loaded  
7 some of that coal out in 2016 but didn't really  
8 operate the mine.

9 And then the mine was completely idle until  
10 2018. And so it's only been operating in total for  
11 about ten months now. And all of those months now  
12 have been at a deficit. The production hasn't been  
13 what we expected it to be.

14 Q. And for the ten months, are we talking about  
15 ten months since what period of time?

16 A. So they --- the Justice Energy mine started  
17 around --- I think we started hiring men back in late  
18 February of 2018. And the mine --- normally takes six  
19 to eight weeks to get a mine started up. So I think  
20 that it started production probably late April 2018.

21 Q. So from January of 2016 up until February of  
22 2018, was the mine, the Red Fox mine, operational?

23 A. No, other than selling some of those coal  
24 stockpiles that I mentioned. And so there were some



1 people there doing that. It was not otherwise  
2 operational.

3 Q. Again, I'm going to ask some additional  
4 questions. If I seem to be repetitive, I apologize.  
5 So the accountants for Justice Energy, those are  
6 actually supplied by the Blue Stone group.

7 Is that correct?

8 A. Yes.

9 Q. Okay.

10 And who are on the Board of Directors for  
11 Justice Energy?

12 A. James C. Justice, III and Jillean, that's  
13 spelled J-I-L-L-E-A-N, Justice.

14 Q. And we've talked a little bit about the  
15 employees of Justice Energy. The employees that are  
16 currently working for Justice Energy had been there  
17 roughly since February of 2018.

18 A. Yes.

19 Q. Do you know how many employees that are  
20 actually employed there now? Just roughly.

21 A. Yeah, the last time I checked it was  
22 approximately 30.

23 Q. Does Justice Energy have any pension plans  
24 of any kind?

1           A.     The employees of Justice Energy are part of  
2     the United Mine Workers bargaining unit. And so  
3     there, there is some legacy liability owed to the  
4     United Mine Workers' pension plan. So that's all  
5     governed by their CBA. Some of the --- there's a  
6     distinction if employees start after a certain date.  
7     They are not eligible for the pension plan but they  
8     have a 401(k) available to them. But that's all  
9     dictated by the collective bargaining agreement.

10          Q.     And is there a collective bargaining  
11     agreement between the UMWA and Justice Energy or is  
12     between the UMWA and another entity?

13          A.     It's directly with Justice Energy. To be  
14     honest with you, that the real reason why Justice  
15     Energy continues to operate.

16          Q.     At a deficit?

17          A.     There would be a larger deficit if they  
18     stopped operating.

19          Q.     Okay.

20                 Do any of the insurance policies of Justice  
21     Energy --- well I think you said the insurance is  
22     actually provided through one of the Blue Stone  
23     companies to Justice Energy.

24                 Is that correct?

1           A.     Blue Stone Resources, Inc. is the primary  
2     insured. But there's a schedule of additional  
3     insureds. And Justice Energy is one of those  
4     additional insureds.

5           Q.     Does Justice Energy have any insurance  
6     policies or have any ownership rights in any insurance  
7     policies that have a cash value?

8           A.     No.

9           Q.     Does Justice Energy ever have any  
10    stockholder meetings or Board of Director meetings?

11          A.     We do --- we do agreements in lieu of  
12    meetings. Where it's a closely held business. Jillean  
13    is James C. Justice, III's sister. There they work  
14    together in a lot of the family's businesses. So I  
15    mean we have had not necessarily Justice Energy but  
16    the family occasionally will have a board meeting but  
17    it's not common. Typically, we dispense with the  
18    annual requirements via agreement in lieu of meeting.

19          Q.     So they just basically sign a document that  
20    says more or less we had a meeting on paper?

21          A.     Yes.

22          Q.     Okay.

23                 And in terms, of corporate minutes, just  
24    Justice Energy have any separate corporate minutes of

1 any kind?

2 A. No, just those agreements in lieu of  
3 meetings that we just discussed.

4 Q. And other than the BB&T account, are you  
5 aware of any other bank accounts that's owned by  
6 Justice Energy?

7 A. No.

8 Q. Does Justice Energy have any ownership  
9 interest in any kind of foreign bank accounts or  
10 foreign investment accounts of any kind?

11 A. No.

12 Q. In fact, does Justice Energy have any  
13 investment accounts of any kind?

14 A. No.

15 Q. Does Justice Energy own any stocks or bonds?

16 A. No.

17 Q. And what about reclamation bonds? Does  
18 Justice Energy have any reclamation bonds?

19 A. The bonds are in --- the bonds are in the  
20 name of Blue Stone Coal Corporation, the permittee.  
21 And it's part of what I'll describe as a broader or  
22 global bonding program for all of the Blue Stone  
23 mining companies.

24 Q. Are those cash bonds or are they surety

1 bonds?

2 A. They're surety bonds.

3 Q. And who is the surety involved or are there  
4 --- was there more than one?

5 A. There it's primarily a group called Lexon.  
6 My only hesitation is I know globally, we have a  
7 couple other smaller bonding companies. I don't think  
8 they related to Justice Energy though.

9 Q. Does Justice Energy have any certificates or  
10 deposits of any kind?

11 A. No.

12 Q. Does it have any safety deposit boxes?

13 A. No.

14 Q. I may have asked this and forgive me but  
15 does Justice Energy own any real estate?

16 A. No.

17 Q. And does Justice Energy have any leases of  
18 any kind? Either real estate or coal?

19 A. No.

20 Q. Does Justice Energy have any credit cards?

21 A. No.

22 Q. And does Justice Energy have any letters of  
23 credit?

24 A. No.

1           Q.     Does Justice Energy have any accounts  
2     receivable?

3           A.     No.

4           Q.     And does anyone owe debts to Justice Energy?

5           A.     No.

6           Q.     Now we talked about on the mine site that  
7     there's like a one of these portable office buildings,  
8     I believe. Or something like that. Is there really  
9     any office equipment or anything like that in that  
10    particular mobile office site or that office site  
11    that's on the coal ---

12          A.     No.

13          Q.     --- on the mine, I'm sorry.

14          A.     I'm sorry for talking over you.

15          Q.     That's all right.

16          A.     No. Typically we have a mine site to  
17    satisfy regulatory. Have to have a phone line and a  
18    place to have meetings if a safety meeting is  
19    required. So it's more for that purpose but it's not  
20    a typical office in the sense of, you know, like a  
21    bunch of computer equipment and office, you know,  
22    office furniture, things like that.

23          Q.     And I know this is going to sound kind of  
24    weird but I need to ask you this question so forgive

1 me. Does Justice Energy have like any personal  
2 property like antiques, jewelry, watches, coins, you  
3 know, gold, diamonds, or anything like that?

4 A. No.

5 Q. Okay.

6 And I think we might have covered this but  
7 Justice Energy doesn't have any bonds of any kind.  
8 Does it?

9 A. No.

10 Q. Does Justice Energy have any lawsuits that  
11 are pending against anybody?

12 A. No.

13 Q. And is Justice Energy other than in this  
14 particular case, does it have any lawsuits against it?

15 A. I don't believe so.

16 Q. Does Justice Energy have any contracts to  
17 either sell coal or produce coal with anyone?

18 A. No.

19 Q. And I take it Justice Energy doesn't have  
20 any contracts with either the federal or state  
21 government?

22 A. No. Just with the caveat of --- well no  
23 it's not the permittee. Sometimes people view mining  
24 permits but it doesn't have a mining permits so no.

1           Q.     Because Justice Energy is not the permittee  
2     that --- for mining the coal there at the Red Fox  
3     site.

4           A.     Correct.

5           Q.     Does Justice Energy have any rental income?

6           A.     No.

7           Q.     And I think we may have already covered  
8     this, does Justice Energy have any liens against it?

9           A.     Just what we discussed. This particular  
10    matter and then to the extent, it's subject to any of  
11    Blue Stone's resources, like it's security agreements  
12    as its parent company. But short of that, no other  
13    liens.

14          Q.     And does Justice Energy have any trust  
15    accounts of any kind?

16          A.     No.

17          Q.     Do you know if there's a separate Dun and  
18    Bradstreet report for Justice Energy?

19          A.     Not that I'm aware of.

20          Q.     Does Justice Energy ever pay any dividends  
21    to anybody?

22          A.     No.

23          Q.     So as we sit here today, what is the capital  
24    of Justice Energy? Does it have any capital assets?



1           A.     In the --- just so I understand the  
2 question, in the form of like stockholder equity  
3 capital?

4           Q.     Yes.

5           A.     I would have to look at the financial  
6 statement to answer that for sure.

7           Q.     Okay.

8                     We're going to talk about a couple that I  
9 received ---

10          A.     Okay.

11          Q.     --- in just a minute so. I'm not sure how  
12 to phrase this but I'll do the best I can. Why does  
13 Justice Energy exist if it's really not owning  
14 anything? What's the purpose of Justice Energy?

15          A.     Justice Energy when it was first formed was  
16 formed to do exactly what it's doing today. Which was  
17 operate the Red Fox surface mine. It's not uncommon  
18 for operations to be siloed, for lack of a better  
19 description, when collective bargaining agreements are  
20 involved.

21                     And so, its purpose was and is to operate  
22 the Red Fox surface mine. For a long time, in the  
23 early 2000s and even, you know, approaching 2010, that  
24 mine was an extremely profitable mine. It's in latter

1 stages. What's left is difficult to mine from a mining  
2 stand point. So the metallurgical coal market is  
3 still good but this is --- this is not the easiest to  
4 mine coal for that particular mine. So the costs are  
5 a little higher and then what coal is encountered, the  
6 quality can be a little more erratic than what was  
7 experienced the first 10 or 12 years of the mine.

8 So, you know, it's doing what it was created  
9 to do. It's just that what it's doing is more  
10 difficult than it was historically.

11 Q. So basically Justice Energy is kind of a ---  
12 and I don't want to make light of this but, it's kind  
13 of a shell company whose purpose is really just to  
14 operate the Red Fox mine.

15 A. Its purpose is to operate the Red Fox mine.  
16 I don't know that I agree with the shell company  
17 description but that is its purpose.

18 Q. All right.

19 And in terms of the reserves that are still  
20 left of the Red Fox mine site, has there been an  
21 estimate recently or within the last few years of how  
22 much is still left there at the Red Fox mine site?

23 A. Yes.

24 Q. And what is that? What's been the estimate?

1           A.     I think the total tonnage number is in the  
2     four million ton range. I think the minability of  
3     some those tons is questionable. And that there have  
4     been, mining studies to determine the best way to try  
5     and maximize the recovery of that coal.

6           And I think that under some of those  
7     scenarios that the recoverable amount, you know, is  
8     about 30 or 40 percent of that four million. Not all  
9     of it is recoverable.

10                    ATTORNEY CAREY: To clarify, was that  
11     within the permit or on the property?

12                    THE WITNESS: That's the property.

13     BY ATTORNEY WESTFALL:

14           Q.     In terms of the permit, how much is left?

15           A.     I don't know that distinction. I just know  
16     that that study was done for the whole property.

17           Q.     And who did the study?

18           A.     It was done in conjunction with, I can't  
19     remember if we technically did it. We being Justice  
20     Energy or Rowland Land Company did it. But it was  
21     part of that lease process.

22           Q.     Was there an outside group like an  
23     individual group or some sort of professional coal  
24     group that came in to do the estimate?

1           A.     The principal person that I deal with at  
2 Rowland Land Company, his name is Andy Fox. He's a  
3 professional engineer by trade. And I don't know if  
4 he outsourced that or if he just did that himself. I  
5 can't recall.

6           Q.     Okay.

7                     Let's take a look at Exhibit 2 and 3 for  
8 the ---.

9                                     ---

10                            (Whereupon, United States Exhibit 2,  
11 Balance Sheet 12/31/16, was marked  
12 for identification.)

13                            (Whereupon, United States Exhibit 3,  
14 Balance Sheet 12/31/17, was marked  
15 for identification.)

16                                     ---

17                     ATTORNEY CAREY:   Fred, are those the  
18 balance sheets?

19                     ATTORNEY WESTFALL:   Yes, they're the  
20 balance sheets for 2016 and 2017.

21           BY ATTORNEY WESTFALL:

22                     Q.     Now I believe you mentioned before that  
23 during this period, basically in 2016 and 2017,  
24 Justice Energy was not really doing any operations

1 other than selling these stockpiles that were at the  
2 site.

3 Is that correct?

4 A. Correct.

5 Q. Okay.

6 They weren't actively mining at that time?

7 A. No.

8 Q. Okay.

9 Let's take a look at Exhibit 2 which is the  
10 unaudited balance sheet for the period ending December  
11 31, 2016. Just looking at the first page, it says  
12 under accounts receivable there was \$18,000. Do you  
13 know what that was for?

14 A. When we looked at this, it was a carryover  
15 from the prior year. And to be honest with you, I  
16 think it's a mistake. But we --- while this process  
17 is going on, we'd not attempted to make any changes to  
18 our book. But it was just a carryover from the prior  
19 year.

20 Q. Okay.

21 And let's take a look at the next item, it  
22 says under inventory and its produced coal, that's  
23 listed at \$905,164.20. Was this the stockpile that  
24 was on the site?

1           A.     Yes.

2           Q.     And had --- was that sold?

3           A.     Yes.

4           Q.     And so there's no more left really of that  
5 stockpile.

6                     Is that correct?

7           A.     That's correct.

8           Q.     And looks like under the next section, where  
9 it says non-current assets, fixed assets. And it had  
10 fixed assets of \$42,771,527.55. What were those fixed  
11 assets?

12          A.     So when I looked at this number, the first  
13 thing I did is to look at the depreciation schedule.  
14 Because typically, on our financial statements, fixed  
15 assets is just everything that's on the depreciation  
16 schedule.

17                     That number seemed incorrect to me. It  
18 seemed way too high for what Justice Energy does and  
19 was doing at the time. And when I reviewed the  
20 depreciation schedule, it included a significant  
21 amount of underground mining equipment that was  
22 actually owned by an affiliate of Justice Energy. And  
23 it also included a preparation plant that's in  
24 Keystone, West Virginia that's not owned by Justice

1 Energy Company.

2 So that number is incorrect. But what that  
3 number reflects is everything that was on the  
4 depreciation schedule, under Justice Energy's name as  
5 of 12/31/2016.

6 Q. Did Justice Energy own these fixed assets?

7 A. No.

8 Q. Who prepared Exhibit Number 2?

9 A. Exhibit Number 2 is generated from the  
10 accounting system, which is called MAS 200.

11 Q. And who has responsibility over that system?

12 A. That has changed. You know, prior to the  
13 end of 2016 our senior accountant, her name was Amanda  
14 Bulggs. She's a CPA. She left at the end of the year  
15 to take another job to be closer to where her family  
16 lives. But at the time, these statements were  
17 generated, I asked Amanda to generate these. And she  
18 generated them for me.

19 Q. When did you say that she left?

20 A. It was right at the end of 2018. There may  
21 have been like a week carry over in to this year but  
22 it was right at the end of the year.

23 Q. And do you know where she resides?

24 A. She currently, at least she told me, she was

1 moving Bristol. I don't know if that's Virginia or  
2 Tennessee. But I know it's right on the state line.

3 Q. Okay.

4 And under other assets, there's like some  
5 pre-paid expenses and pre-paid insurance. I take it  
6 the insurance is what we talked about earlier as going  
7 through the --- that's the share that Justice Energy  
8 has to pay over at the group policy.

9 Is that correct?

10 A. Yes.

11 Q. And the pre-paid expenses, do you know what  
12 those are?

13 A. That, I can't tell just by looking at this  
14 but typically for Justice Energy is would be, you pay  
15 the railroad rent in advance. And then sometimes you  
16 know, they'll prepay for fuel and things like that.  
17 But it would fall in to a category similar to that.

18 Q. Let's take a look under the liabilities and  
19 stockholders' equity on Exhibit Number 2 for just a  
20 moment. Under the current liabilities has accounts  
21 payable of over \$900,000. Do you know what that was  
22 for?

23 A. Just general operating expense for operating  
24 the mine.



1           Q.     And at this time, as I understand, the mine  
2     was not operational.

3                     Is that correct?

4           A.     That's correct.   Yes.

5           Q.     So why would there be an accounts payable  
6     for that?

7           A.     It could have been carryover.   So, it --- I  
8     can't tell just by looking at this particular  
9     financial statement.   But that would have been the  
10    total amount outstanding at the time.   So some of that  
11    could be really old and some of that would be just  
12    general upkeep.

13                    I mean, in 2016 it was the time that we were  
14    selling the stockpiles that you would have a coal  
15    loader.   You would have some ongoing reclamation to  
16    comply with.   Regulatory law, things like that.

17           Q.     And under the accrued expense, it looks like  
18    it's about almost \$7.4 million.   Do you have any idea  
19    of what that is?   Or what that's for?

20           A.     I can't tell just by looking this.   No, sir.

21           Q.     And the accrued coal taxes, I take it that  
22    would be on the stockpile.   Maybe some carryover.

23                    Is that correct?

24           A.     Yeah.   Typically those don't drag out too

1 long so I think it would be associated with the  
2 stockpile.

3 Q. Take a look at the second page of Exhibit  
4 Number 2 for just a moment please. Consolidated  
5 income statement is unaudited for the 12 months ending  
6 December 31, 2016. We talked about the coal sales.  
7 That's from the stockpile that was on the property.

8 Is that correct?

9 A. Yes.

10 Q. And then it has general revenue of \$1.6  
11 million. Do you know where that came from? Or what  
12 that represents?

13 A. I can just tell you typically on our  
14 financial statements what that would represent. I  
15 can't tell specifically on this one. It would either  
16 be the sale of something that is not coal or --- and I  
17 don't know why our accounting system does this, but if  
18 there were an inventory adjustment. So they found out  
19 there were more coal there than they realized, it  
20 shows up as a general revenue adjustment. When they  
21 book the additional inventory.

22 Q. And Amanda would have been the person that  
23 would be able to tell us where they came from, I take  
24 it. Is that correct?

1 A. Yes.

2 Q. Okay.

3 As we go to cost of revenue, the employee  
4 expenses are the employees that were working there at  
5 the mine.

6 Is that correct?

7 A. Yes.

8 Q. Blasting expense, I take it somebody had to  
9 do some blasting work at the mine during that 12 month  
10 period.

11 A. Probably related to some reclamation work.  
12 A lot of the time with reclamation they need  
13 additional material to reclaim high walls. And it  
14 will require a little bit of blasting.

15 Q. And then there's a contract labor item.  
16 What is that for?

17 A. We were using a third party to provide the  
18 laborer. Some of that relates to the fact that it was  
19 a union job. And starting and stopping union jobs can  
20 be somewhat problematic. And so, a third party was  
21 providing the labor.

22 Q. And under legal settlements it says \$1.23  
23 million. What is that? Is that the civil penalty in  
24 this case?

1           A.     That's the civil penalty. The accountants  
2 recorded that.

3           Q.     And the rest of these expenses other than  
4 depreciation basically are all expenses for activity  
5 on the mine site.

6                     Is that correct?

7           A.     Yes.

8           Q.     Let's look at Exhibit Number 3 for just a  
9 moment. This is the consolidated balance sheet for  
10 the period ending December 31, 2017. In looking over  
11 Exhibit Number 3, that \$18,000 receivable item still  
12 appears to be there.

13                    Is that correct?

14          A.     Yes.

15          Q.     And then under the --- there's no ---  
16 there's a list for marketable securities just like in  
17 the previous Exhibit 2 and that's zero.

18                    Is that correct?

19          A.     Correct. Yes.

20          Q.     And then under inventory, it looks like you  
21 must have sold all of the stockpile because it says  
22 there's no further inventory.

23                    Is that correct?

24          A.     Yes.

1           Q.     And again on the fixed assets, this is what  
2 we discussed earlier, you're not sure where that came  
3 from. Other than it's for equipment perhaps from other  
4 sources other than Justice Energy.

5           A.     Yes.

6           Q.     Okay.

7                     ATTORNEY CAREY:   And you mentioned the  
8 prep plant too.

9           BY ATTORNEY WESTFALL:

10          Q.     And the prep plant, which is over in  
11 Kentucky somewhere, I believe you said.

12                     Right?

13          A.     It's in Keystone.

14          Q.     Keystone.

15          A.     Yes.

16          Q.     Okay.

17                     And in terms of looking at this other items  
18 on the liability stockholder equity, it pretty much is  
19 similar to what we talked about in Exhibit Number 2.  
20 The same basic sources.

21                     Is that correct?

22          A.     Yes.

23          Q.     Looking at the second page of Exhibit Number  
24 3. It looks like there's an item for bank fees of

1 | \$732.38. Do you have any idea what that was for?

|   |                      |
|---|----------------------|
| 2 | A. Not specifically. |
|---|----------------------|

|   |    |       |
|---|----|-------|
| 3 | Q. | Okay. |
|---|----|-------|

4                   And the fines and penalty, what was --- I  
5   take it did MSHA cite you for something or ---?

6           A.     That's what the category represents.  Either  
7   MSHA or DEP.

|   |          |
|---|----------|
| 8 | Q. Okay. |
|---|----------|

9                   Let's take a look at Exhibit 4 for just a  
10 moment. I received this yesterday.

|    |         |
|----|---------|
| 11 | A. Yes. |
|----|---------|

12 Q. And I kind of wanted to ask you a couple  
13 general questions on ---.

14                                    ATTORNEY CAREY:    Can you put the Bates  
15    numbers on ---?

16                                    ATTORNEY WESTFALL:    It's 179.    It's the  
17    property tax.

18 ATTORNEY CAREY: Okay. The return?

19 ATTORNEY WESTFALL: Yeah.

20 | -----

21 (Whereupon, United States Exhibit 4,  
22 Property Return for Justice/Bluestone,  
23 was marked for identification.)

24 | ---

1 BY ATTORNEY WESTFALL:

2 Q. Let me just ask you some questions here.  
3 Just kind of going through this. Under machinery and  
4 equipment, it looks like this return goes from --- I  
5 don't know if it really technically goes from 1997  
6 forward to 2016 for this first part of it.

7 But it looks like in 2011, there was \$5.9  
8 million in equipment. And then in 2012, I'm assuming  
9 that that's \$2.4 million. Was this part of the ---  
10 the equipment that's listed here, was this part of the  
11 --- did this equipment include the Caterpillar  
12 equipment that was eventually returned to Caterpillar  
13 Financial?

14 A. Some of it, yes.

15 Q. Okay.

16 And in 2016, it shows that there's machinery  
17 and equipment of \$1.63 million. What I'm trying to  
18 find out is why did that number decrease from 2011 to  
19 2016 other than the Caterpillar situation?

20 A. In my understanding of how this form works  
21 is you have to look at this columns cumulatively. And  
22 so it's not necessarily a decrease. Those are  
23 additions for that particular year. And then they,  
24 you know, like for example if you look at the 2004,

1 which for us that would have just been a carryover of  
2 what Mechel, the prior owner was doing. But, you  
3 know, that's only getting valued at 20 percent because  
4 it's so heavily depreciated.

5           Whereas the equipment that was added in  
6 2016, they're valuing at 92 percent. So this is a  
7 cumulative list of --- of everything that was at the  
8 mine. But everything 2012 and forward would have just  
9 been a carryover of what had been previously  
10 submitted.

11           Q. And just so I make sure that I understand,  
12 that the amount that's listed for 2016, is that actual  
13 physical equipment owned by Justice Energy?

14           A. Yes. That was added in 2016 and it could  
15 have been equipment that --- the way that our folks do  
16 this and the person at the time, her name --- she no  
17 longer works for the company either, but her name was  
18 Jaime Fulcher. She was looking at what was actually  
19 there at the mine site. And if it was not already  
20 submitted in a prior year, she was adding it to the  
21 return to make sure that it accurately reflected what  
22 was there.

23                   I think the problem she was having on this  
24 particular return is that it was being submitted



1 jointly for Blue Stone Resources and Justice Energy  
2 Company. And it had a lot of old information that was  
3 previously submitted by Mechel OAO.

4 Q. And so really, some of this equipment that  
5 we're talking about contained in this tax pay --- or  
6 this return for 2017 personal property, you know,  
7 excuse me, industrial property return for 2017, is  
8 most likely equipment that's owned by Blue Stone  
9 Resources.

10 A. Correct.

11 Q. Okay.

12 Let's take a look at page 184 or at least  
13 it's page stamp is 184 on Exhibit Number 4 for just a  
14 moment.

15 There's a listing of equipment and it looks  
16 like over on the left hand --- on that particular page  
17 says dispose. I take it, is this equipment that was  
18 disposed of?

19 A. Yes.

20 Q. Okay.

21 And I'm going through this. So it looks  
22 like on pages 184 and 185, that this is equipment that  
23 somehow either Blue Stone or Justice Energy disposed  
24 of.

1                   Is that correct? If you can tell.

2           A.       I can't tell for sure but I can tell you  
3 what the intent here is because certain machines were  
4 included in those prior years on the cover page.

5           Q.       Uh-huh (yes).

6           A.       Was to go through and try to clear up things  
7 that were no longer there. Which was somewhat  
8 difficult because many of these items had been  
9 disposed of previously by Mechel when they owned it.

10                   But it was an effort to try to get a, for  
11 lack of a better description, a baseline since our  
12 ownership in 2015. Because there were a lot of old  
13 things that were still on the return that just weren't  
14 there anymore.

15           Q.       And so, when I look at pages 186 and 187 of  
16 Exhibit Number 4, again this is the continuation.  
17 This is still dealing with some of these issues in  
18 terms of what equipment is still there and what's not  
19 that.

20                   Is that correct?

21           A.       Yes.

22           Q.       Okay.

23                   If like I'm looking at the bottom of page  
24 187 and I see a lot of Caterpillar equipment listed.

1 And I'm assuming that Caterpillar equipment is no  
2 longer there because it was returned back to  
3 Caterpillar.

4 Is that right?

5 A. Most of it was, yes.

6 Q. All right.

7 A. On that page 187, for example, the one  
8 reason I hesitate to say that all of this was disposed  
9 of is and now they're complete junk but those 793s  
10 that are handwritten.

11 Q. Yes.

12 A. Some of those Caterpillar rock trucks that  
13 are really nothing more than the frame are still on  
14 the site up there.

15 Q. So they're ---?

16 A. And so I can't tell if she was intending to  
17 dispose of them from a value standpoint because it was  
18 no longer an operating piece of equipment. Because  
19 it's truly just a frame but ---.

20 Q. Basically scrap.

21 A. Correct. That was my only hesitation in  
22 saying that all of them were disposed of per se.  
23 Because those 793s were not transferred to a third  
24 party but they have become scrap.

1 Q. Okay.

2 Let's look at page 188 for a moment. This  
3 is the industrial property return for 2018. And  
4 again, looking at this, I see it's going back again  
5 for prior years and so on. And it looks like there's  
6 been some updating of the numbers. In that first  
7 thing, first listing under machinery and equipment on  
8 page 188. Because some of those numbers are much  
9 greater than what they showed up on page 179. Do you  
10 know why the difference is there?

11 A. I think this is a continuation of the effort  
12 to get the baseline right. Because previously we had  
13 been working with a lot of numbers provided by the  
14 prior owner. And this is --- I'm trying to see who  
15 worked on this one. This is Jaime Fulcher. I just  
16 recall Jaime spent a tremendous amount of time working  
17 with the counties, trying to get these number right.

18 Because she felt like a lot of the numbers  
19 that had been submitted by Mechel were not accurate.  
20 And so she was trying to get them right. It --- I  
21 will tell you when I first saw that, it jumped out at  
22 me because the old numbers in theory shouldn't change.

23 Because whatever it was for that year, you know,  
24 that's what it was. But we were trying to get this

1 cleaned up so it was more accurate going forward.

2 Q. And again, as we discussed before, this  
3 equipment we're talking about listed on the property  
4 tax or excuse me industrial property tax return for  
5 2018 that starts on page 188, is really equipment  
6 largely owned by Blue Stone Resources.

7 A. Correct.

8 Q. Let's take a look at industrial property tax  
9 return for 2019 that starts on page 192. Because when  
10 I look at that, I see a lot of those areas we talk  
11 about it forward had been large numbers on the  
12 previous return for 2018 like in, like for the year  
13 2013 on page 192 are now left blank.

14 But it looks like there was some property  
15 listed here as being acquired in 2018. About \$2 ---  
16 or if I read that correctly, about \$2.2 million. Do  
17 you know what that equipment was?

18 A. Yes. If you look at page 196, those top  
19 one, two --- four machines. Blue Stone Resources  
20 acquired --- when the job restarted in 2018, Blue  
21 Stone Resources acquired those machines to help with  
22 the restart of the Justice Energy operation.

23 Q. And as I look at page 196, Blue Stone  
24 Resources owns the equipment but shows that the

1 location for all of the equipment is at Justice  
2 Energy.

3 Is that correct?

4 A. Yes.

5 Q. Okay.

6 ATTORNEY CAREY: Just for clarification,  
7 please.

8 ATTORNEY WESTFALL: Sure.

9 ATTORNEY CAREY: Some of that equipment  
10 is actually owned by Justice Energy though.

11 Correct?

12 ATTORNEY WESTFALL: At the bottom.

13 THE WITNESS: So if you look there's  
14 really two different categories. There's a separation  
15 after about the fourth of fifth line. All those  
16 machines at the top were added in 2018. Which is the  
17 2018 line item that you and I just discussed.  
18 Everything below that are items that were at Justice  
19 Energy when it was reacquired in 2015.

20 BY ATTORNEY WESTFALL:

21 Q. Okay.

22 Let me ask you this question and to kind of  
23 clear this up. I look at page 196 on Exhibit Number  
24 4. The top item on it has an acquisition cost of

1 \$2.247 million with an owner's value of \$2.022  
2 million.

3 Is that correct?

4 A. Yes.

5 Q. And those particular items are owned by Blue  
6 Stone Resources.

7 Is that right?

8 A. Correct.

9 Q. Then underneath that, I see a listing of  
10 several items. Which it looks like the owner's value  
11 is totaled to be \$2.5 million. Are those the ones  
12 that are owned by Justice Energy?

13 A. Yes.

14 Q. And all of those items are owned by Justice  
15 Energy?

16 A. I believe so. Yes.

17 Q. All right. Let's look at Exhibit 5. And  
18 this is an equipment list. And it actually looks like  
19 5 and 6. I don't know. When I got them, they were  
20 two separate documents but then they run together  
21 actually.

22 Let me ask you that question first. If you  
23 look at Exhibits 5 and 6, is this kind of a running  
24 list that runs together or are they actually separate

1 documents?

2 ---

3 (Whereupon, United States Exhibit 5,  
4 Equipment list as of 1/21/15, was marked  
5 for identification.)

6 (Whereupon, United States Exhibit 6,  
7 Depreciation lists 2014-2017, was marked  
8 for identification.)

9 ---

10 BY ATTORNEY WESTFALL:

11 A. They run together.

12 Q. Okay.

13 ATTORNEY CAREY: And can you give me the  
14 Bates numbers for that?

15 ATTORNEY WESTFALL: Starts with 001.

16 ATTORNEY CAREY: Okay.

17 ATTORNEY WESTFALL: And it looks like it  
18 goes through 178.

19 ATTORNEY CAREY: 178. Okay. And you  
20 made all that five?

21 ATTORNEY WESTFALL: No. Five is 1  
22 through 100. And then 101 through 178 is Exhibit  
23 Number 6.

24 ATTORNEY CAREY: Okay. Thank you.



1 BY ATTORNEY WESTFALL:

2 Q. So just generally tell me what 5 and 6 are  
3 please.

4 A. Okay. So 5, if you see on the top left hand  
5 corner of page --- Bates stamp 001 equipment list as  
6 of January 21st, 2015. This was a list generated from  
7 Mechel. The transaction ultimately closed on February  
8 12, 2015 when it was reacquired. And this was a list  
9 they generated that was intended to represent all the  
10 equipment that they valued at greater than \$450,000.  
11 And that list goes over to Bates number 003.

12 Q. Okay.

13 A. And that's for all companies. Not just  
14 Justice Energy. All of the Blue Stone companies.

15 Q. And then we start with 004. This is a  
16 depreciation expense report.

17 Is that correct?

18 A. Correct.

19 Q. And how far does that carry over, to what  
20 page?

21 A. I think it's 53. Yeah 53.

22 Yes, so this is the full depreciation report  
23 as of 12/31/14.

24 Q. Okay. Let me stop you.

1           A.     I'm sorry.

2           Q.     Okay, pages 1 through 53 represents the list  
3 of equipment over \$450,000. Basically at the time ---  
4 almost at the time you were closing the deal to  
5 reacquire the group.

6                     Is that correct?

7           A.     Only pages 1 through 3 for that- --

8           Q.     I'm sorry.

9           A.     --- for that description.

10          Q.     Okay.

11                    And then you have a depreciation list  
12 dealing with that equipment going from 4 through 53.

13          A.     Correct. That was the 12/31/15 year end  
14 depreciation report for all of Blue Stone that Mechel  
15 provided to us.

16          Q.     Okay.

17                    Now --- starting at page 54 which is part of  
18 Exhibit Number 5, it still says depreciation expense  
19 report.

20          A.     Correct. And this is --- this ties back to  
21 pages --- Bates stamped pages 1, 2, and 3. This is  
22 the depreciation report as of 12/31. And pages 1, 2,  
23 and 3, they were attempting to roll it forward to a  
24 date closer to the closing date.

1 Q. Okay.

2 Let's take a look at page 56 for just a  
3 moment.

4 A. Okay.

5 Q. This is again in Exhibit Number 5. There's  
6 some equipment there listed for Justice --- as Justice  
7 Energy being the owner. And it's equipment list as of  
8 January 21, 2015. Is this equipment that was actually  
9 owned by Justice Energy?

10 A. Yes.

11 Q. And where is that equipment now, if you  
12 know?

13 A. Some of that Caterpillar equipment was the  
14 equipment that was turned in. And I'll have to double  
15 check but I think a couple of these items are still  
16 there. They're on the most recent industrial property  
17 tax return.

18 Q. Okay.

19 So like the Hitachi hydraulic excavator may  
20 still be there?

21 A. The Hitachi excavator is not there. It ---.

22 Q. Where --- I'm sorry. Where is it now?

23 A. I believe it has been sold.

24 Q. Do you know when it was sold?

1           A.     Not specifically.

2           Q.     Was it sold after 2016? I mean, after  
3     January 1 of 2016?

4           A.     I don't know the date.

5           Q.     Okay.

6                     ATTORNEY CAREY: We can find that out  
7     for you, Fred.

8                     ATTORNEY WESTFALL: Yeah, I need to know  
9     that.

10           BY ATTORNEY WESTFALL:

11           Q.     Right. Starting with page 57. Looks like  
12     another depreciation expense report as of December 31,  
13     2014. And it looks like that carries through the end  
14     of Exhibit 5, if I'm not mistaken. Can you tell me  
15     what that is please?

16           A.     It's the same report that started at Bates  
17     number 004. Both of these were provided to us by  
18     Mechel. I am not sure what the difference is. The  
19     bottom line numbers are different. Just by looking at  
20     the two, I couldn't --- eyeballing it, I couldn't find  
21     the difference other than to say that the numbers were  
22     different.

23           Q.     Again, looking at Exhibit 5, starting with  
24     page four.

1           A.     Okay.

2           Q.     On these depreciation expense forms not only  
3 this one but the one we were just referencing that  
4 started on page 57. Let's take a look at those for  
5 just a moment. There's some --- if you look at where  
6 it says location on these reports ---

7           A.     Yes.

8           Q.     --- and there's some like initials, like  
9 BCC. Now BCC is Blue Stone Coal Group.

10                   Is that correct?

11           A.     Blue Stone Coal Corporation.

12           Q.     Corporation. I'm sorry.

13           A.     Yeah.

14           Q.     And then there's some others as we go down  
15 through here. There might be some other listing of  
16 places so those initials are the listings there for  
17 location will tell us the natural location of the  
18 equipment.

19                   Is that correct? At the time of the report  
20 is prepared.

21           A.     So the BCC would be intended --- yes.

22                   There's some companies, like Blue Stone Coal  
23 Corporation, at the time they were operating had  
24 multiple sites. And so, they could have a separate

1 code for some of those different sites. Like Justice  
2 Energy is just a single site though. So when you see  
3 Justice Energy you know that that's only Justice  
4 Energy.

5 I'm trying to find an example of that.

6 Q. No, let's take a look at page 42 of the  
7 Exhibit Number 5 for just a moment. As I look here,  
8 for example, it says location equal JHMI.

9 A. Yes.

10 Q. And what is this JHMI.

11 A. Justice Highwall Mining, Inc.

12 Q. So that would tell us, in that particular  
13 category, would list like whatever number in it. And  
14 they're all located at JHMI.

15 Is that correct?

16 A. Yes.

17 Q. And like on page 43, it says location equal  
18 Justice Energy. And it looks like, I'm not sure how  
19 many items. I didn't count them up. But that  
20 continues over to, it looks like page 44 of Exhibit 5.  
21 Those are particular pieces of equipment at that time  
22 that were located at Justice Energy.

23 Is that correct?

24 A. Yes.

1           Q.     Now let's take a look at page 54, Exhibit  
2     Number 5 for just a moment. There's another listing  
3     here. It's depreciation expense report. And again,  
4     it's got location and it has the initials. That would  
5     tell us basically the companies were these particular  
6     items of equipment were located.

7                     Is that correct?

8           A.     Yes.

9           Q.     Back on page 55, there's six items listed  
10    for Justice Energy and I think as we already discussed  
11    some of those Caterpillar equipment that eventually  
12    was turned back over to Caterpillar.

13          A.     Correct.

14          Q.     So really, looking at Exhibits Number 5 and  
15    Number 6, we talked about the depreciation expense  
16    report but the kind of --- again, these locations are,  
17    if you look here where it says like just on page,  
18    excuse me, page 101 on Exhibit Number 6 on the first  
19    page. It lists some equipment and has Justice Energy  
20    for example. Those would be the pieces of equipment  
21    associated with Justice Energy.

22                     Is that correct?

23          A.     Yes.

24          Q.     And others may have different --- like

1 there's one here, it looks like --- I'm assuming is  
2 Keystone Services or something, like on page 102. For  
3 example would have equipment associated with that  
4 particular site or location.

5 A. Yeah. Keystone Services is an old  
6 preparation plant in Keystone, West Virginia. But  
7 yes, that's correct.

8 Q. And all of these, maybe I should --- I don't  
9 want to read to, do it too summarily, but all of these  
10 locations listed in Exhibit Number 5 and Number 6 are  
11 part of the overall companies that are owned by  
12 Justice II and Justice III.

13 Is that correct?

14 A. Yes. So each one of these would be a  
15 different company. And they would be owned by the  
16 chain we discussed earlier where the corporate parent  
17 ultimately would be Blue Stone Resources. And then  
18 the individual shareholders would be JCJ II and JCJ  
19 III.

20 Q. All right.

21 Is there some way through the accounting  
22 system of these various groups, that we can determine  
23 what equipment was disposed of after January 5, 2016?

24 A. I believe so, yes.



1 Q. Okay.

2 A. If I'm wrong about that, I'll let you know.  
3 But I think there's a disposal report that can be ran.

4 Q. Okay.

5 ATTORNEY CAREY: So you want all the  
6 disposal equipment after January 5, 2016?

7 ATTORNEY WESTFALL: Well starting with  
8 January 5, 2016 really. From there going forward.

9 THE WITNESS: With respect to Justice  
10 Energy?

11 ATTORNEY WESTFALL: Probably for all the  
12 different companies. I mean, I don't know how detail  
13 or how involved that would be but probably for all the  
14 companies.

15 ATTORNEY CAREY: You're talking about  
16 all the Blue Stone companies.

17 ATTORNEY WESTFALL: Yes.

18 ATTORNEY CAREY: Okay.

19 BY ATTORNEY WESTFALL:

20 Q. If an ultimate decision of some sort had to  
21 be made about Justice Energy as far as its future or  
22 some sort of business decision of where to go in terms  
23 of what direction and a future, who would ultimately  
24 have the overall authority to make that decision?

1           A.     I'm just trying to think of what ---.

2           Q.     Let me rephrase the question.

3           A.     Yeah, sorry.

4           Q.     That's a poorly worded question and I  
5 apologize for that. Let me be straightforward.

6           A.     Sure.

7           Q.     Justice III and Justice III. If there's  
8 going to be some decision about what's going to happen  
9 with Justice Energy, would they be the ones that would  
10 ultimately either approve or disapprove a decision of  
11 what's going to happen with that particular company?  
12 Since they're the owners through all the various  
13 umbrellas. Or not the umbrellas, through the various  
14 corporate structures and so on. Would they be the  
15 ones that would have to make --- have the ultimate  
16 authority to make a decision on the company?

17          A.     And just so I understand the question, do  
18 you mean if the company would wind down or something  
19 like that?

20          Q.     If the company was wind down, if it was a  
21 major operational decision that had to be made about  
22 the future of the company.

23          A.     To my knowledge, any operational decisions  
24 today would solely be made by James C. Justice, III.

1 Q. Okay.

2 A. The reason I ask for that distinction is I'm  
3 sure James C. Justice, II if it were a winding down  
4 type question as a shareholder would have some say.  
5 But all operational big picture decisions would be  
6 made by James C. Justice, III.

7 Q. And has that been the same since January of  
8 2016?

9 A. '17.

10 Q. '17.

11 If I can have a couple minutes, I think I'm  
12 about finished.

13 ATTORNEY CAREY: We may have one more  
14 page for you. If it came in. That might help ---

15 ATTORNEY WESTFALL: Okay.

16 ATTORNEY CAREY: --- focus things for  
17 you.

18 ---

19 (WHEREUPON, A PAUSE IN THE RECORD WAS HELD.)

20 ---

21 BY ATTORNEY WESTFALL:

22 Q. I'm going to show you what's been marked as  
23 Exhibit 7 to assist the interview. Can you tell me  
24 what that is please?

1           A.     Yes.   I had asked David Stoneburner who  
2     oversees the equipment for our companies to do a  
3     physical inspection and inventory of what is actually  
4     at the Justice Energy Red Fox mine.   And this is what  
5     he provided me.

6                                 ---

7                                 (Whereupon, United States Exhibit 7,  
8                                 Revised Property list as of March 2019,  
9                                 was marked for identification.)

10                                ---

11     BY ATTORNEY WESTFALL:

12           Q.     Okay.

13                     So this Exhibit 7 is a list of the equipment  
14     that's actually located at the Red Fox mine.

15                     Is that correct?

16           A.     Correct.

17           Q.     Who owns that equipment?

18           A.     So we added a column to this exhibit and the  
19     items in yellow identify equipment that's owned by  
20     someone other than Justice Energy.   And you'll see a  
21     column that says owner, and most of it is Blue Stone  
22     Resources.   There is one item that's owned by Southern  
23     Coal.

24           Q.     So the items that are not highlighted in

1 yellow are actually owned by Justice Energy.

2 Is that correct?

3 A. Yes.

4 Q. And do you know if --- has the company  
5 assessed any value to any of this equipment that's  
6 actually owned by Justice Energy?

7 A. Not recently. Some of these and in fact,  
8 most of those items appear on the June 2018 industrial  
9 property tax return. And so there was a value  
10 associated at that time. But nothing since then.

11 Q. I see on Exhibit Number 7, and I'll hand  
12 this back to you but there's two items that are listed  
13 as scrap. A Caterpillar 773 Lube Truck and an  
14 International Lube Truck. Other than those two scrap  
15 items, are the other items on Exhibit Number 7 owned  
16 by Justice Energy, are they actually used in the day  
17 to day operation of the mine?

18 A. No. And I'm not sure why he did that  
19 distinction only for those two because I know that the  
20 793s, the Caterpillar 793C Mining Trucks they at least  
21 several of them are scrap as well.

22 Q. I think you mentioned earlier that they're  
23 basically down to the frame.

24 A. Several of them are, yes.

1           Q.     Now, we had an off the record conversation  
2 concerning differences between Exhibit Number 1 and  
3 the other exhibits that were produced. And there's  
4 differences obviously between Exhibit Number 1 and the  
5 other exhibits. And this is the opportunity for you  
6 to explain why there's a difference. Can you tell me  
7 why there's a difference between exhibit --- what's  
8 listed on Exhibit 1 and these other exhibits?

9           A.     Yes. When I was preparing Exhibit Number 1,  
10 I was collecting the financial statement form Amanda  
11 Boggs, and when I received those financial statements  
12 I noticed the large equipment number that was on the  
13 balance sheet. And undertook to take a review of the  
14 depreciation schedule. And when I did that, it became  
15 obviously to me that there was an error on the  
16 depreciation schedule.

17                     And that it included several items that were  
18 not at Justice Energy or owned by Justice Energy. And  
19 so at that point, I, for lack of a better  
20 description, interviewed David Stoneburner and a  
21 couple people that worked for him. One gentlemen's  
22 name is Whitt Broce. To ask them to provide me  
23 with the equipment that is actually owned by Justice  
24 Energy.

1           And at that point, they advised me that  
2 they believed all of that equipment was owned by  
3 Blue Stone Resources that was at the Red Fox mine.  
4 And so, I did a little bit further research to see  
5 if Justice Energy had paid any property taxes or  
6 anything like that. And I could not find that they  
7 had.

8           So we submit --- we were up against  
9 a deadline so we submitted the form which is  
10 Exhibit 1. That following week, Mr. Stoneburner  
11 approached me and said I had found that the  
12 information I gave you last week was inaccurate.  
13 And he provided me with the 2019 personal property  
14 tax return. He actually had to reach out to McDowell  
15 County to get a copy of that. We did not have it  
16 in house.

17           And at that point, we immediately started  
18 trying to put the pieces together. Going back to  
19 2015 to figure out exactly what equipment originated  
20 at Justice Energy. What was there today and piece  
21 the two together.

22           Q. Looking at Exhibit 7 for just a moment, is  
23 that the only --- is that a list of the only  
24 equipment that remains owned by Justice Energy?

1 Or is there other potential equipment owned by  
2 Justice Energy that's not on Exhibit Number 7?

3 A. This is the complete list.

4 Q. Okay.

5 And so, if we want to determine --- let  
6 me ask the question this way, is it possible for  
7 your company records to determine what equipment  
8 existed as of January 5, 2016 owned by Justice Energy  
9 and what's been disposed of between that date up to  
10 the present day?

11 A. I can't say for sure but I think that is  
12 possible. If I had to guess.

13 Q. All right.

14 ATTORNEY WESTFALL: That's all that I  
15 have. Thank you very much.

16 ---

17 EXAMINATION

18 ---

19 BY ATTORNEY CAREY:

20 Q. Steve, just in term of Exhibit 1, you  
21 can testify on that. At the time you submitted  
22 did you believe at the time that the information  
23 was true and accurate based on the inquiry that you  
24 had done at that point?



1           A.     Yes, I did.

2           Q.     And it was subsequent to submitting  
3 that you realized that based on your discussion with  
4 Mr. who?

5           A.     Stoneburner.

6           Q.     That is may not be accurate.

7                     Is that correct?

8           A.     Yes.

9           Q.     And at that time did you advise both John  
10 and I that it needed to be, further inquiry need  
11 to be made to make sure the information that was  
12 being provided pursuant to this proceeding was  
13 accurate?

14          A.     Yes. As soon as I became aware of that.  
15 I reached out to counsel to let them know.

16          Q.     Okay.

17                     ATTORNEY WESTFALL: And that inquiry  
18 led to the generation of the Exhibits 2 through 7.

19                     Is that correct?

20                     THE WITNESS: That's correct. Yes,  
21 sir.

22                     ATTORNEY WESTFALL: That's all I've got.  
23 Thank you. You want him to ---?

24                     ATTORNEY CAREY: Read and sign it.

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DEPOSITION CONCLUDED AT 11:58 A.M.

\* \* \* \* \*

1 STATE OF WEST VIRGINIA)

2 CERTIFICATE

3 I, Bradley Scott, a Notary Public in and for  
4 the State of West Virginia, do hereby certify:

5 That the witness whose testimony appears in the  
6 foregoing deposition, was duly sworn by me on said date,  
7 and that the transcribed deposition of said witness is a  
8 true record of the testimony given by said witness;

9 That the proceeding is herein recorded fully  
10 and accurately;

11 That I am neither attorney nor counsel for, nor  
12 related to any of the parties to the action in which  
13 these depositions were taken, and further that I am not  
14 a relative of any attorney or counsel employed by the  
15 parties hereto, or financially interested in this  
16 action.

17 I certify that the attached transcript meets the  
18 requirements set forth within article twenty-seven,  
19 chapter forty-seven of the West Virginia Code.



*Bradley Scott*  
Court Reporter